

INCREASED U. S. PARTICIPATION IN THE INTERNATIONAL DEVELOPMENT ASSOCIATION

JANUARY 21, 1974.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. PATMAN, from the Committee on Banking and Currency,
submitted the following

REPORT

[To accompany H.R. 11354]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 11354) to provide for increased participation by the United States in the International Development Association, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

H.R. 11354 amends the International Development Association Act of 1960, as amended, to authorize the Secretary of the Treasury, in his capacity as the U.S. Governor of the International Development Association (hereinafter referred to as IDA), to agree on behalf of the United States to contribute \$1.5 billion to IDA, as recommended in the "report of the Executive Directors to the Board of Governors on Additions to IDA Resources: Fourth Replenishment," (House Doc. 93-181). The bill also would authorize the appropriation, without fiscal year limitation, of \$1.5 billion for payment by the Secretary of the Treasury for the United States share of the increase in the resources of the Association. The U.S. share would be one-third of the total, a substantial reduction from our previous share.

The purpose of this bill is to aid in the replenishment of the funds of IDA, which is the world's largest single source of multilateral development finance for lending on concessionary or easy payment terms. IDA provides credit on concessionary terms to finance high priority development projects and programs of the poorest of the developing countries.

By the end of June 1974, it is anticipated that IDA will fully commit all of its lendable funds. Replenishment of its resources, accordingly

is necessary if IDA is to continue its lending activities. Its lending operations—which heavily emphasize social and economic improvement for urban poor, for small businessmen and for small farmers—would terminate at that time. Consequently, time is an important factor.

The United States has always supported IDA and has felt that it has been a major source in bringing economic development to the poorest of peoples. The U.S. contribution to IDA's Fourth Replenishment will strengthen this institution and allow it to continue its vital work. For every dollar the U.S. contributes to this replenishment of IDA, others will put up another two dollars.

NEED FOR INTERNATIONAL ECONOMIC COOPERATION

During public hearings before the International Finance Subcommittee of your Committee, the Secretary of the Treasury framed his support for IDA in terms of international economic cooperation and presented the following key points, which the Committee feels are especially noteworthy:

Institutions such as IDA form a part of an international system of cooperation and agreed-upon rules of economic behavior, which we are attempting to improve and strengthen. A new international economic order—based on up-dated rules, international cooperation and a stronger institutional framework—is a basic part of creating a secure structure of peace.

International monetary reform, international trade and investment, and improving the quantity and quality of international development assistance are all aspects of the same problem of constructing an enduring system of economic intercourse. Because they are inextricably linked, because we must negotiate in all these fields with the same countries and frequently with the same individuals, what the United States does or does not do in regard to sharing the international responsibility for assisting the developing nations will inevitably have a profound impact on what we are able to accomplish in the remaining fields. The stakes in monetary reform, trade and investment are simply too high for us to do less than is required in the area of development.

Our relations with developing countries are important to the United States economically and politically. The developing countries provided a \$14.6 billion market in 1972 for U.S. goods and services. In fact, as a group, they purchase more from us than we do from them.

Perhaps more important, they provide us with one-third of our raw materials imports, and that proportion will only grow in the future. All nations are facing today the problems of inflation. More raw materials and products from the developing countries will help abate that problem. It makes good sense for us to utilize proven vehicles, such as the international development lending institutions, for aiding the growth of nations that are at the same time such important

sources and markets for us. Our benefits need not be at the expense of others' losses, for with growth all parties can be better off.

EXPROPRIATION POLICY

Last year when the Committee considered the legislation authorizing the U.S. contributions to the Third Replenishment of IDA, it expressed its concern with the trend toward increasing expropriation without compensation of American owned property overseas. The Committee added an amendment to the bill to ensure that the United States would vote in the multilateral development lending institutions against lending to countries that expropriate without taking appropriate steps to compensate. The Gonzalez Amendment was adopted by the Congress and now applies to United States votes in all the multilateral development lending institutions.

The Committee held a review with Secretary Shultz during his testimony regarding the United States experience with the Gonzalez Amendment. The Committee welcomes Secretary Shultz' firm position toward expropriation without appropriate compensation of American owned property overseas. The Committee believes that the Gonzalez Amendment has worked well to bring expropriating countries to the bargaining table and to assure just compensation. Moreover, the Committee is of the view that the Gonzalez Amendment provides sufficient flexibility to accomplish its objectives without undermining other U.S. foreign policy objectives.

For example, the Committee recognizes that a "no" vote could be avoided in those rare cases in which a U.S. firm has clearly failed to meet reasonable and legitimate obligations to the host country. Likewise, it is conceivable that a U.S. firm may have no real interest in an expropriated property, in which case no grievance would exist. The Committee expects that any such cases would be extraordinary and understands that the Treasury will consult with it well in advance whenever any such cases arise. The Committee will continue to monitor application of the expropriation policy provided in the Gonzalez Amendment.

ADMINISTRATION CONSULTATION

The Committee notes the improved efforts of the Treasury to consult with it before undertaking new commitments to the multilateral lending agencies, and expects such efforts to continue in the future. The Committee also welcomes the efforts of the Treasury to keep it informed on events of importance affecting U.S. participation in these institutions.

DETAILS OF THE IDA REPLENISHMENT

The Fourth Replenishment of IDA would be \$4.5 billion in total new resources. These resources would be committed on development credits during the three-year period beginning July 1, 1974. From the viewpoint of burden-sharing, this replenishment is of particular interest to the United States in that there has been a substantial decline in the U.S. share—from 40% in the Third Replenishment to 33½% in the current one.

The Fourth Replenishment arrangements involve Part I member countries contributing the equivalent of \$4,415.8 million to the Association in equal annual installments over a 3-year period, with the first installment to be paid on November 8, 1974. In addition, the arrangements provide for three Part II members (Israel, Spain and Yugoslavia) to contribute the equivalent of \$19,333,000. Part I countries are donors, not eligible for IDA loans; Part II countries are recipients, eligible for IDA assistance. Finally the Swiss Government, which is not an IDA member, will provide \$66,179,147. The proposed \$4.5 billion represents a 55% increase over the Third Replenishment.

The new resources are intended for commitment by IDA during the period up to June 30, 1977. The projected commitment rate of \$1,500 million compares with actual commitments averaging slightly under \$800 million per year during FY 1969-73. Commitments of \$1,357 million were made in FY 1973.

If the agreement among the major donor countries receives necessary legislative approval, IDA would receive new contributions at the rate of \$1,500 million per year. Participation in the replenishment will allow the United States to make expanded development funds available within a multilateral framework. Participation on the proposed basis, moreover, will shift more of the burden of providing concessional development assistance to other developed countries than under previous replenishments. Two dollars of concessionary development assistance would be put up by others for every dollar put up by the United States, as compared with the 60-40 split in the previous replenishment. Replenishment of IDA on the basis proposed cannot come about without the participation of the United States.

Contributions agreed to for this replenishment of IDA resources are shown below:

	<i>U.S. dollars (equivalent)</i>
Part I countries:	
Australia.....	90,000,000
Austria.....	30,600,000
Belgium.....	76,500,000
Canada.....	274,500,000
Denmark.....	54,000,000
Finland.....	25,200,000
France.....	253,545,000
Germany.....	514,500,000
Iceland.....	1,350,000
Ireland.....	7,500,000
Italy.....	181,350,000
Japan.....	495,000,000
Kuwait.....	27,000,000
Luxembourg.....	2,250,000
Netherlands.....	132,750,000
New Zealand.....	11,745,000
Norway.....	49,500,000
South Africa.....	9,000,000
Sweden.....	180,000,000
United Kingdom.....	499,500,000
United States.....	1,500,000,000
Part II countries:	
Israel.....	1,000,000
Spain.....	13,333,000
Yugoslavia.....	5,000,000
Switzerland.....	(1)
Total.....	4,500,000,000

¹ It is expected that the outstanding balance of \$66,179,147 will be covered by an interest free loan from the Swiss Confederation to be approved by the Swiss Federal Council and Parliament. Switzerland is not a member of IDA.

BACKGROUND

The International Development Association, popularly called the soft loan window of the World Bank, formally came into existence as an affiliate of the World Bank in September 1960, commenced operations shortly thereafter, and made its first loan in mid-1961. Establishment of IDA was largely the result of international initiatives by the United States, undertaken against a background of strong expressions of support within the Congress.

Sixty-eight countries became initial members of the Association, and its membership has grown since to 112 countries. Since the time of its establishment, IDA members have been divided into two groups. The industrialized or wealthier members are in the category of "Part I" or donor countries, while the less developed members are categorized as "Part II" or recipient countries.

In the initial subscriptions to IDA, the Part I countries made contributions of about 75% of the total, while the Part II members contributed the remainder. In keeping with the goal of extending assistance to developing countries, Part II countries have not been required to participate in the successive replenishments.

As an affiliate of the World Bank, IDA benefits from the same high caliber management as the Bank itself and has the same Board of Governors and Board of Executive Directors as the Bank. The World Bank's President serves as Chairman of the IDA Executive Directors and as President of the Association. IDA has no staff separate from that of the Bank; its operations are carried out entirely by the Bank's regular staff.

IDA is the world's largest single source of multilateral development finance for lending on concessionary or easy repayment terms. IDA's credits are made for sound economic projects that measure up to the rigorous standards for loans offered by the World Bank itself. IDA, however, makes its loan funds available on unique terms that take into account the severely limited external debt servicing capacity of the poorer developing countries.

IDA's hard currency resources come primarily from budgetary contributions by the governments of its 21 economically advanced member countries (Part I members), together with contributions from a small group of the IDA less-developed countries and Switzerland. These countries have been making resources available at the rate of almost \$1 billion per year (current dollars) for the last three years. Because of the terms on which it lends, IDA cannot expect to borrow in private capital markets, and repayments on outstanding credits will not be adequate for many years to support significant new lending.

Though IDA lending is directed at those countries with annual per capita incomes of \$375 or below, funds are increasingly going to the poorest countries of this category. In 1973 the Executive Directors of IDA made a comprehensive review of its lending policies. They found that over 70% of IDA resources had been channelled to the poorest countries—those with a per capita GNP of \$120 or less. Over one-half of the IDA credits, in recent years have been for agriculture and education. IDA's portfolio of projects thus increasingly reflected the priorities and needs of the poorest countries.

The developing countries have had satisfactory overall economic growth rates, but population growth has severely curtailed growth in per capita income. However, an overall growth rate is an inadequate index of the underlying problems of development each country and its people must face.

Poverty, even in the developing countries favored by relatively good resource endowments, characterizes the lives of millions of individuals. Probably close to one billion people in the developing world have annual per capita incomes of less than \$100 at official rates of exchange. IDA is the best hope these poverty stricken people have of improving their lot.

IDA LENDING

IDA's standardized credit terms involve a 50-year maturity period, including a 10-year grace period. One percent of principal is repayable in each year of the second ten years of the loan and 3% in each year of the remaining thirty years. An annual service charge in convertible currencies of $\frac{3}{4}$ of 1% is charged to meet IDA's administrative costs. All credits are repayable in convertible currency.

During its first 13 years of operations, through FY 1973, IDA authorized a total of 428 development credits aggregating \$5.8 billion in 66 member countries. It is anticipated that \$1.1 billion in additional credits will be authorized in FY 1974.

The geographic distribution of IDA lending has become more diversified. In IDA's first seven years of operations, through June 30, 1967, India and Pakistan received roughly 75% of IDA credits. In subsequent years, they received only about 50%. As a result, their (including Bangladesh) share in IDA's portfolio has dropped to about 55% of the total.

In terms of types of projects financed, about 25% of the credits extended by the end of FY 1973 had been for transportation; 28% for agriculture; 7% for education; 8% for electric power; 5% for industry; and 3% for water systems. Lending for agricultural development rose sharply in FY 1973, to a new record level of \$436 million, representing 32% of IDA lending in this year.

The Executive Directors of IDA have agreed that it should continue to give increasing emphasis to the very poor countries and to those sectors which are of direct relevance to the bulk of the population in the poor countries.

IDA'S SOURCES OF FUNDS

IDA's main sources of funds are: its initial capital subscriptions; replenishment and special contributions; transfers from the World Bank.

IDA's initial subscriptions are those which each member contributes upon accepting membership. Members are either "Part I" members—twenty-one economically advanced countries—or "Part II" members—the developing countries. All members paid 10 percent of their initial subscriptions in gold or in freely convertible currency.

The Part I members paid the remaining 90% of the initial subscription as well in gold or in freely convertible currency, while the Part II members paid their 90% subscriptions in their own currencies, which cannot be used without the member's consent.

Initial subscriptions totaled \$1,280.4 million (current dollars—\$1,061.4 million 1960 dollars) on June 30, 1973. The hard currency portion amounted to \$971 million, of which \$33 million had been made available by Part II countries from their 90% subscriptions.

The initial subscription for the U.S. amounted to \$320.3 million (1960 dollars), or 43.1% of subscriptions by Part I members. Of this, 10% was paid in cash and the 90% balance in non-interest bearing notes.

To increase the funds available for concessionary lending, the Board of Governors of IDA has adopted four replenishment resolutions. The First Replenishment, proposed in 1963, sought total contributions to IDA of \$750 million (with U.S. share of \$312 million); the second replenishment, considered in 1968, was for \$1.2 billion (with U.S. share of \$480 million); and the Third Replenishment, proposed in 1970, sought \$2.4 billion (with U.S. share of 960 million).

SHARE OF U.S. CONTRIBUTION TO INTERNATIONAL DEVELOPMENT LENDING INSTITUTIONS

[In millions of U.S. dollars]

Institution	Before current replenishment			After current replenishment ¹			After proposed replenishment ²		
	Total	United States	United States as percent of total	Total	United States	United States as percent of total	Total	United States	United States as percent of total
International Bank for Reconstruction and Development:									
(1) Paid-in capital.....	2,520	647	25.7	(3)	(3)	(3)	(3)	(3)	(3)
(2) Callable capital.....	22,677	5,826	25.7	(3)	(3)	(3)	(3)	(3)	(3)
Bank total.....	25,197	6,473	25.7	(3)	(3)	(3)	(3)	(3)	(3)
International Finance Corporation: (1) Paid-in capital.....	107	35	32.7	(3)	(3)	(3)	(3)	(3)	(3)
International Development Association: (1) Paid-in capital (subscriptions).....	2,838	1,112	39.2	5,226	2,072	39.6	9,727	3,572	36.7
Inter-American Development Bank:									
(1) Paid-in capital.....	389	150	38.6	789	300	38.0	(3)	(3)	(3)
(2) Callable capital.....	2,375	1,024	43.1	3,975	1,697	42.7	(3)	(3)	(3)
(3) Fund for special operations.....	2,328	1,800	77.1	3,828	2,800	73.1	(3)	(3)	(3)
Bank total.....	5,091	2,973	58.4	8,592	4,797	55.8	(3)	(3)	(3)
Asian Development Bank:									
(1) Paid-in capital.....	490	100	20.4	4 962	5 193	20.1	(3)	(3)	(3)
(2) Callable capital.....	502	100	19.9	4 2,045	5 410	20.0	(3)	(3)	(3)
(3) Asian development fund.....	175			4 391	100	25.6	816	150	18.4
Bank total.....	1,167	200	17.1	3,398	703	21.2			
African Development Bank:									
(1) Paid-in capital.....	87			(3)	(3)	(3)	87		
(2) Callable capital.....	127			(3)	(3)	(3)	127		
(3) African Development Fund.....	93			(3)	(3)	(3)	108	15	13.9
Bank total.....	307			(3)	(3)	(3)	322	15	4.7

¹ On basis of authorized amounts. Refers to IDA III replenishment; increase in IDB ordinary capital, replenishment of IDB fund for special operations; increase in ADB ordinary capital (which has been implemented by the other donors, but for which U.S. authorizing legislation is now before Congress) and initial contribution to Asian Development Fund.

² On basis of authorization requests. Refers to IDA IV replenishment, second portion of contribution to Asian Development Fund, and initial contribution to African Development Fund.

³ No change.

⁴ Translated into 1973 dollars.

⁵ Includes \$21,000,000 maintenance of value payment on original subscription. U.S. replenishment subscription stated in 1973 dollars.

Note: Table does not include maintenance of value payments, except as footnoted.

WORLD BANK SUPPORT OF IDA

In addition to providing management support, the World Bank has contributed funds to IDA every year since 1964. These transfers, averaging around 50% of the Bank's net earnings, have been regarded as alternatives to the distribution of dividends to the Bank's member countries. The United States has supported these transfers as a valuable supplement to country contributions. Such transfers now total \$809 million, as follows:

	<i>Millions</i>
From fiscal year 1964 income.....	\$50.0
From fiscal year 1965 income.....	75.0
From fiscal year 1966 income.....	75.0
From fiscal year 1967 income.....	10.0
From fiscal year 1968 income.....	75.0
From fiscal year 1969 income.....	100.0
From fiscal year 1970 income.....	100.0
From fiscal year 1971 income.....	110.0
From fiscal year 1972 income.....	107.0
From fiscal year 1973 income.....	106.8
Total.....	808.8

Although IDA charges its borrowers only a 3/4% per annum service charge, IDA's administrative expenses have been modest and the organization has enjoyed a small annual net profit. Accumulated net income, which amounted to \$70 million as of June 30, 1973, is used in the lending operations. IDA's available resources have also been increased by voluntary contributions from a number of countries, releases from the 90% portion of Part II subscriptions, and interest free loans from Switzerland.

As of September 30, 1973, a total of \$7,241.3 million had become available to IDA. Of this total, \$6,317.6 million had been committed for specific projects leaving a balance of \$924 million available for lending. It is expected that this amount will be fully committed by June 30, 1974. As of September 30, 1973, \$2,376 million of the total available funds were undisbursed (on a cash basis).

BALANCE OF PAYMENTS AND BUDGETARY IMPACT

Under the agreed arrangements, governments would normally make their payments under this replenishment in three equal payments beginning in Fiscal Year 1975. However, a member may postpone any payment for a period of not more than 12 months. Moreover, members may choose to pay in four equal annual installments rather than three, if they so advise IDA prior to the due date for the first installment.

The effect of these arrangements is to permit the United States to commence payments in Fiscal Year 1976, after the final U.S. payment in Fiscal Year 1975 under the current Third Replenishment and to divide the payments over four years instead of three. The Committee understands that the U.S. will take advantage of this option and expects that the U.S. contribution will be paid in four installments of \$375 million each. As in the past, payments would be made in non-interest bearing letters of credit, to be drawn down over an extended period of years. Thus, although appropriations of \$375 million would be made in each year from FY 1976-79, there will be virtually no budgetary impact in the early years and the ultimate impact will be

spread over a number of years. This occurs because payments from IDA funds are made only as required by recipients, and projects typically require several years to complete.

The net impact of the international development lending institutions as a group has been favorable to the balance of payments. This favorable inflow has been based on receipts from procurement in the U.S. of goods and services, interest paid to U.S. holders of loan participations and bonds, the administrative expenses of the banks who keep their headquarters in Washington, and investments by the banks in the U.S. While there are undeniably outflows connected with subscriptions and contributions paid in cash, bond sales and loan participations in the U.S., and interest paid on investments in the U.S., the amounts flowing into the U.S. have been larger than the amounts flowing out in all except one of the last eight years.

Participation in IDA, however, normally does involve a balance-of-payments cost for the U.S. This cost reflects the fact that the U.S. share in IDA contributions is based upon broad burden-sharing concepts designed to reflect a country's relative position in the international economy, while the U.S. share in procurement tends to be related to its share in the imports of IDA's borrowers. Thus, the U.S. has had close to 50 percent of GNP of IDA donor countries and been contributing about 40 percent of its country contributions; at the same time its share in IDA procurement has been around 20 percent. This has resulted in a balance-of-payments cost to the U.S.—a minor one to date but expected to increase. The lower share which has been achieved for the U.S. in contributions, accordingly, will mean a smaller balance-of-payments costs.

The Committee has considered the balance-of-payments cost as well as the benefits from U.S. participation in the IDA, and concluded that benefits outweigh the cost.

From the viewpoint of foreign relations, the IDA and other international financial institutions are an important part of the system that has developed since World War II to handle multilateral economic issues on a cooperative basis. Continued leadership in the international development lending institutions is an integral part of our overall effort, which also includes reform of the international monetary system and improvements in the field of international trade and investment. The ability of the U.S. to conclude monetary and trade agreements which we view as essential to our own progress depends on cooperation of the developing countries—whose support will be influenced by our ability to help meet their concerns for their own progress—as well as other developed countries continuing to feel that the U.S. is doing its fair share in the financing of development. And the effectiveness of our own bilateral assistance programs is dependent in many ways on the complementary assistance provided by IDA and other multilateral institutions.

There are also direct economic benefits to the U.S. from U.S. participation in IDA that are likely to be considerably more important than the direct balance-of-payments costs. Thus, the proposed IDA replenishment will make it possible for the developing countries to undertake investments in productive facilities averaging around \$3 billion per year. While the benefits to the U.S. from these investments may be difficult to quantify, they are bound to result in improved export markets for us, as well as an improved availability of

raw materials and semi-manufactures at prices lower than they would otherwise have been.

Moreover, the balance-of-payments cost of any particular replenishment is spread out over a period of years, so that it has little relevance to the current situation. In the case of the IDA, the balance-of-payments cost can be spread out over a period of ten years or more through the use of letters of credit which have an impact on the balance of payments (and budget) only when they are encashed to meet disbursement needs. The U.S. and most other countries have taken advantage of this possibility. As a result, budgetary outlays have been considerably below appropriations for the IDA.

During the first 13 years of its existence—through June 30, 1973—U.S. payments to IDA totalled \$814 million and IDA procurement in the U.S. totalled \$426 million. In addition, IDA earned interest on cash contributions by certain members invested in the U.S. and incurred administrative expenses in the U.S. The average impact of the IDA on the U.S. balance of payments of these items has been less than \$30 million per year.

The balance-of-payments cost of past contributions to the IDA, however, may be expected to average roughly \$150 million annually in the 1975-77 period as a result of higher rates of disbursement and a surge of calls upon the U.S. contributions and the balance-of-payments safeguards of the Second Replenishment, which delayed its impact to 1975. This cost is estimated to peak in 1975-76 and then decline rapidly after 1977.

On the other hand, the balance-of-payments cost of the proposed Fourth Replenishment would have a minimum effect through 1976 and peak in 1978. On the assumption that the currency realignments of 1971 and 1973 will increase the U.S. share in IDA procurement from the cumulative 19 percent to perhaps 22 percent, the balance-of-payments cost to the U.S. of the Fourth Replenishment may be estimated at about \$50 million in FY 1976 and an average of about \$75 million in the subsequent four years. A more dramatic improvement in the U.S. share of procurement would, of course, lessen the balance-of-payments cost.

It should be recognized, however, that the question of IDA's cost to the U.S. balance of payments should be seen in the broader context of U.S. participation in the World Bank, which includes both IDA and IDA's parent institution, the International Bank for Reconstruction and Development. Specifically, when transactions involving the IBRD are taken into account, total balance-of-payments inflows to the U.S. on World Bank account exceed outflows by a wide margin.

MAINTENANCE OF VALUE

Initial subscriptions (90% portion) and resources provided under the first three replenishments provided for maintenance of value in terms of 1960 U.S. gold dollars so long as and to the extent that they had not been initially disbursed or exchanged for the currency of another member.

Under the Fourth Replenishment, however, there will be no maintenance of value obligation "in view of the unsettled international monetary conditions prevailing at the present time". Instead, each member will agree to make its contribution in a stated amount of its

own currency equal to its share of the replenishment at official New York exchange rates as of the date agreement was reached on the replenishment, September 27, 1973. For the United States, this means simply that the final amount of our contribution would be \$1,500 million, without any future adjustment.

CONCLUSION

Your Committee strongly believes that the U.S. should make its \$1.5 billion contribution in the Fourth Replenishment of the International Development Association.

IDA needs a replenishment of funds to permit the World Bank Group to provide adequate assistance, in the form of loans, which will finance sound development projects in developing nations—particularly in the poorest of those nations. The money will be spent not only for highways, dams, farming and industrial developments but for programs such as health, education and population programs that directly work with and for the people of poverty-stricken nations.

Because of its long experience, unmatched pool of technical expertise drawn from all countries, and freedom from political considerations, the International Development Association is in a strong position to influence developing countries to become both more productive and more self-reliant, by improving their overall economic programs and policies.

Your Committee has long believed that the foreign development assistance efforts of the United States should emphasize multilateral lending institutions. The international financial institutions permit a more equitable sharing of development assistance costs, the accumulation of knowledge and expertise on development problems, and considerable flexibility in establishing loan terms and imposing performance standards. The multilateral institutions permit economic development free from claims that particular donors are unduly influencing or restricting the development opportunities of particular countries. Instead they allow the collective judgment and experience of numerous countries and experts to guide the development plans of members. In view of IDA's sound record of achievement, your Committee believes it deserves wholehearted support.

Your Committee feels that contributing to multilateral lending institutions is a necessary and integral part of international economic cooperation. This cooperation is absolutely essential in view of the increasing economic interdependence of the United States and the developing nations. This interdependence is evident in the markets these countries provide for U.S. goods and services and in the raw materials which they supply to the U.S.

U.S. relations with developing countries are important economically. These countries purchase more from us than we do from them, and even more importantly they provide us with one-third of our raw materials imports. Many of the most vital raw materials can be obtained only from developing countries.

International economic cooperation involves not only development assistance but international monetary reform and international trade and investment—fields which include the developing countries. Our ability to negotiate in the trade and monetary areas will be strongly

influenced by our ability to do our part in international development assistance.

Aiding the growth of nations that are at the same time such important sources and markets for us makes good economic and political sense. This aid can be well provided through proven institutions, such as the international development banks.

The U.S. must seriously promote international economic cooperation, especially with the developing nations; and IDA urgently needs additional resources. Therefore, your Committee strongly recommends the enactment of H.R. 11354.

COST OF CARRYING OUT THE BILL AND THE COMMITTEE VOTE

In compliance with clause 7 of Rule XIII of the Rules of the House of Representatives, the following statement is made relative to the cost incurred in carrying out this bill. A majority of the Committee believes that it would be appropriate to authorize the appropriation, without fiscal year limitation, of \$1,500,000,000 for payment by the Secretary of the Treasury for the United States share of the increase in the resources of the International Development Association.

Appropriations of \$375 million are expected to be requested in each year from FY 1976-1979. There will be virtually no budgetary impact in the early years. The ultimate impact will be spread over a number of years, as payments from IDA funds are made only as required by recipients, and projects typically require several years to complete.

In compliance with clause 27 of Rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote on the motion to report a bill. The bill was ordered to be reported by a unanimous voice vote.

FUNDING OF U.S. CONTRIBUTIONS

The authorization contained in this legislation poses a special problem. It enables the United States to undertake an international commitment, but in practice the United States' fulfillment of that commitment depends on subsequent appropriations.

In the context of our subscription to IDA, there is a clear need to undertake this international commitment. More than twenty other countries will be putting up twice as much as the United States—over \$3 billion. These countries are undertaking an international obligation to fulfill their part of the bargain; if we want IDA to work we must undertake the international obligation to do our share.

It has been the practice in past Replenishments of the Resources of IDA for the United States to enter into a binding legal commitment to contribute fully to the Replenishment over a period of time only after funds for the first installment have been appropriated. In addition, in the case of IDA's Third Replenishment, at the time of the appropriation of the first installment, assurances were given by the Appropriations Committees that there was no intention of withholding the second and third installments.

The mechanism of waiting for the appropriation of the first installment before committing the United States to the full replenishment is not available in the present case. Payment of the first installment is not due until fiscal 1976, and thus the request for appropriations will not be considered by the Appropriations Committees until

late in 1975. However, IDA will have run out of commitment authority by July 1974 and the United States should make its legal commitment by June 30, 1974.

The United States must be able to join with other countries in providing IDA with the commitment authority it needs to stay in operation after June 30 of this year. The legislation which is before the Congress provides that authority by authorizing the Secretary of the Treasury to agree on behalf of the United States to pay the Association \$1.5 billion over a period of years.

The Committee emphasizes this point because it wishes the House to be aware that this authorization will result in a binding international commitment by the United States. Congress should be aware now that a valid international commitment will exist when appropriations to cover this agreement are requested.

SECTION-BY-SECTION ANALYSIS

Section I.—Authorizes the United States Governor to the International Development Association to agree on behalf of the United States to contribute \$1,500,000,000 to the Association, and authorizes the appropriation of amounts necessary for the payment.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics, existing law in which no change is proposed is shown in roman):

INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

AN ACT To provide for the participation of the United States in the International Development Association

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "International Development Association Act."

* * * * *

SEC. 14. (a) The United States Governor is hereby authorized to agree on behalf of the United States to pay to the Association \$1,500,000,000 as the United States contribution to the Fourth Replenishment of the Resources of the Association.

(b) In order to pay for the United States contribution, there is hereby authorized to be appropriated without fiscal year limitation \$1,500,000,000 for payment by the Secretary of the Treasury.

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